

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
Yearn Finance (YFI)

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**Disclaimer**

*Please note that this risk disclosure is not exhaustive of all risks associated with trading YFI. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the [Risk Summary](#) for additional discussion of general risks associated with the assets made available in the platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.*

**What is Yearn Finance (YFI) and how does it work?**

Yearn Finance is a decentralized finance (DeFi) protocol that helps users earn interest on their crypto by automatically moving funds into platforms offering the best returns. These strategies are called “vaults,” which shift assets across services like Aave, Compound, and dYdX to maximize yield without requiring users to manage them manually. The platform is governed by a decentralized autonomous organization (DAO), where community members propose and vote on changes. Yearn Finance runs across several blockchains, including Ethereum, OP Mainnet, and Arbitrum, and also supports additional products such as governance tools and yield optimization services.

The YFI token powers Yearn Finance’s governance system. Holders of YFI can vote on proposals that guide the protocol’s development and operations. While the token does not directly generate yield, it plays a key role in decision-making. In addition, when the protocol treasury collects fees above certain levels, some of those funds may be used to buy back and burn YFI, reducing supply over time. This mechanism gives YFI indirect value through its connection to the platform’s financial activity.

**Who is behind the project?**

Yearn Finance was created in 2020 by software developer André Cronje, who launched the protocol and its governance token YFI through a fair-launch model with no pre-mine or team allocation. Cronje later stepped back from active development, and today Yearn Finance is maintained and governed by its decentralized community.

**Tokenomics of YFI**

YFI has a fixed (maximum) supply of 36,666 tokens. At launch in July 2020, 30,000 YFI were minted and distributed through a fair-launch model. The tokens were allocated entirely to users and liquidity providers, with no pre-mine or team allocation. Distribution occurred across three pools, with 10,000 YFI assigned to each pool. A later community governance vote approved the minting of an additional 6,666 YFI, increasing the maximum supply to 36,666.

As of September 2025, the circulating supply is approximately 33,829 YFI (~92% of the maximum supply).

## General Risks

Like all other digital assets, there are some general risks to investing in YFI. These include short history risk, volatility, and liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

## Risks specific to YFI

### *Competition*

The Yearn Finance network faces competition from other yield aggregation protocols such as Alpha Venture DAO, BadgerDAO, and many others. YFI's value derives from its broader adoption in the market. If the Yearn Finance network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of YFI.

### *Smart Contract Vulnerabilities*

Yearn Finance has previously experienced security incidents, mainly involving legacy or deprecated smart contracts. While current core vaults were not affected, vulnerabilities in older contracts may still exist. Any future exploit could lead to financial losses, reputational harm, and reduced user confidence, which may negatively impact adoption and the value of Yearn-related products.

## Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on YFI and determined that Kraken was permitted to make YFI available for trading to UK users, in compliance with UK law. This process generally consists of reviewing publicly available information on the following:

- The creation, governance, usage and design of YFI, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created YFI;
- The supply, demand, maturity, utility and liquidity of YFI;
- Material technical risks associated with YFI, including any code defects, security breaches and other threats concerning YFI and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with YFI, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of YFI, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to YFI about whether YFI, or generally about whether the type of crypto asset, is a security and/or derivative.

**Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong. [Take 2 mins to learn more.](#)**

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